

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 AGRE-00

/101 W

-----068361 160721Z /10

R 151952Z DEC 77

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 4596

INFO AMEMBASSY SUVA

AMEMBASSY CANBERRA

AMEMBASSY PORT MORESBY

UNCLAS SECTION 1 OF 2 WELLINGTON 05761

39 11652: N/A

TAGS: EFIN, EAID, ETRD, WS

SUBJECT: GOVERNMENT OF WESTERN SAMOA UNVEILS 1978 BUDGET

1. SUMMARY: THE 1978 BUDGET STATEMENT OF THE GOVERNMENT OF WESTERN SAMOA (GWS) IS OPTIMISTIC IN ITS OUTLOOK FOR 1978/9 FISCAL YEAR. IN ANNOUNCING THE COUNTRY'S LARGEST BUDGET TO DATE, THE GWS EXPRESSED CONFIDENCE IN THE PACE OF NATIONAL ECONOMIC DEVELOPMENT. THE COUNTRY STILL FACES BASIC ECONOMIC PROBLEMS AND IT REMAINS TO BE SEEN IF PRESENTLY EXPRESSED OPTIMISM WILL PROVE VALID BY YEAR ENDM END SUMMARY.

2. THE GWS BUDGET ANNOUNCEMENT ALLOWS FOR GOVERNMENT EXPENDITURE FOR 1978 OF SOME 40 MILLION WESTERN SAMOAN DOLLARS (25 PERCENT HIGHER THAN 1977). (ALL AMOUNTS IN THIS REPORT ARE IN WESTERN SAMOAN DOLLARS: ONE WESTERN SAMOAN DOLLAR EQUALS APPROXIMATELY Q.2 US DOLLARS.) OF THIS, 20.6 MILLION DOLLARS IS FOR DEVELOPMENT PROJECT EXPENDITURE AND THE REMAINDER IS CURRENT AND UNCLASSIFIED

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STATUTORY EXPENDITURE. DEVELOPMENT EXPENDITURE OF 5.9 MILLION WILL BE FINANCED BY THE GWS AND THE BALANCE FINANCED BY FOREIGN CAPITAL PROJECT ASSISTANCE AND FOREIGN SOFTATERM LOANS. ESTIMATED REVENUE FOR THE PERIOD IS 22.2 MILLION DOLLARS OF WHICH 49.2 PERCENT WILL BE FROM THE CUSTOMS DEPARTMENT AND 14.6 PERCENT FROM THE INTERNAL REVENUE SERVICE.

3. THE LARGEST PORTION OF DEVELOPMENT EXPENDITURE (10.3 MILLION DOLLARS) WILL BE DEVOTED TO INFRASTRUCTURE. INCLUDED IN THIS ARE PROVISIONS FOR TOURIST DEVELOPMENTN FISHING DEVELOPMENTN RURAL ROADING, WATER AND POWER SUPPLY SCHEMES. A FURTHER 6.61 MILLION DOLLARS IS APPROPRIATED FOR AGRICULTURAL DEVELOPMENT INCLUDING THE RURAL DEVELOPMENT PLAN. MOST RURAL DEVELOPMENT PROJECTS WILL BE FINANCED BY THE VILLAGE, THE GWS AND A FOREIGN AID DONOR OR LENDER. BY ENCOURAGING THE POPULATION TO STAY IN THE VILLAGE AND PROVIDING EMPLOYMENT THERE, IT IS HOPED TO REDUCE UNEMPLOYMENT OCCURRING AROUND APIA AND TO STEM THE DRIFT FROM RURAL AREAS TO THE CAPITAL. (UNEMPLOYMENT WAS LARGELY SOLVED BY A HIGH RATE OF NET EMIGRATION UNTIL 1975 WHEN NZ TIGHTENED ITS IMMIGRATION RESTRICTIONS.) THE BALANCE OF THE ECONOMIC DEVELOPMENT ALLOCATION INCLUDES 1.48 MILLION DOLLARS FOR INCREASED SHARE CAPITAL OF POLYNESIAN AIRLINES TO ENABLE IT TO EXPAND INTO A DIRECT WS/NZ SERVICE IN 1978, 1.1 MILLION FOR HEALTH, 600,000 DOLLARS FOR EDUCATION AND 590,000 DOLLARS FOR "OTHER EXPENSES".

4. THE GWS HAS HIGH HOPES FOR THE WESTERN SAMOAN ECONOMY IN THE FORTHCOMING YEAR BUT MUCH OF THIS IS BASED ON INFLATED 1977 PRICES. THE INTERNAL ECONOMY SUFFERS FROM AN INFLATION RATE OF SOME 11 PERCENT - A PRODUCT UNCLASSIFIED

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OF IMPORTED INFLATION AND SHORTAGES OF BASIC ITEMS (E.G. BANANAS AND TARO) WHICH FORCED THE PRICES UP. THE GWS REGARDS INTERNATIONAL CONDITIONS AS "FAVORABLE TO WESTERN SAMOA" - BUT IN THIS RESPECT IT NEITHER SPECIFIES WHETHER IT IS AID OR TRADE TO WHICH IT REFERS. IN TERMS OF AID, GWS HAS DEVELOPED A STRONG RELATIONSHIP WITH NEW ZEALAND, AUSTRALIA, WEST GERMANY, JAPAN AND THE INTERNATIONAL FINANCIAL INSTITUTIONS. THE OUTLOOK FOR SAMOA'S EXPORTS DOES NOT APPEAR AS BRIGHT AS IT WAS IN 1977.

5. IN THE 1977 BUDGET YEAR WESTERN SAMOA RECEIVED RECORD PRICES FOR ITS TWO MAIN EXPORTS - COCOA AND COPRA. AS A RESULT THE PRODUCTION OF BOTH HAS BEEN EXPANDED. PRICES, HOWEVER, ARE EXPECTED TO FALL BY 20 PERCENT AND 50 PERCENT RESPECTIVELY IN THE COMING YEAR. THE BOOM CONDITIONS WHICH HAVE PREVAILED FOR COCOA OVER THE LAST 24 MONTHS (ARISING FROM NATURAL DISASTERS AFFECTING OTHER SUPPLIERS AND SPECULATION ON WORLD MARKETS) WILL NOT LAST. THE FALL IN PRICE IS EXPECTED TO COINCIDE WITH A DROP IN WESTERN SAMOA'S PRODUCTION (CAUSED BY EXCESSIVE RAINFALL AND BLACK POD ROT) OF 66

PERCENT IN 1977 COMPARED TO 1976 OUTPUT.

6. COPRA PRODUCTION IN 1977, TO MEET INCREASED WORLD DEMAND, WAS ANTICIPATED TO NET ALMOST TREBLE THE 1976 RECEIPTS, BUT THIS FIGURE IS EXPECTED TO BE HALVED DURING 1978. CONCERN IS FELT TOO, ABOUT POSSIBLE WORLD OVERPRODUCTION OF BANANAS AT A TIME WHEN WESTERN SAMOA IS INCREASING ITS OWN BANANA OUTPUT. AFTER THREE POOR SEASONS, GWS IS EXPECTING A BUMPER HARVEST AND HAS MADE ALLOWANCE FOR INCREASING PRODUCTION IN ITS RURAL/VILLAGE DEVELOPMENT PLAN.

7. WESTERN SAMOA IS AWARE OF THE DIFFICULTIES CAUSED

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FM AMEMBASSY WELLINGTON
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UNCLAS SECTION 02 OF 02 WELLINGTON 05761

EO 11652: N/A
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BY ITS HEAVY DEPENDENCE ON FLUCTUATING PRIMARY MARKETS FOR ITS EXPORT RECEIPTS. IN THIS REGARD, GWS IS ATTEMPTING TO DIVERSIFY INTO PROCESSING OF ITS PRIMARY PRODUCTS AND ATTEMPTING TO CUT BACK ON ITS IMPORT BILL (ESTIMATED AT 30 MILLION DOLLARS IN 1977). THE BUDGET MAKES PLANS IN 1978 FOR A COPRA CRUSHING MILL IN CONJUNCTION WITH A JUST APPROVED 2.25 MILLION US DOLLAR ADB LOAN. THE MILL WILL PRODUCE A VARIETY OF COPRA-BY PRODUCTS (DESSICATED COCONUT, COOKING OILS ETC) WHICH WILL

BE SUITABLE FOR EXPORT BUT IT WILL BE SOMETIME BEFORE
THE PLANT IS ECONOMICALLY VIABLE. THE BUDGET ALSO
ANNOUNCES AID TO THE FISHING INDUSTRY TO ENCOURAGE
COMMERCIAL FISHING AND TO SAVE SOME 5 PERCENT OF ITS
IMPORT BILL. THE HEAVY RELIANCE ON TIMBER EXPORTS FOR
OVERSEAS EARNINGS MAY WELL NOT BE JUSTIFIED IN VIEW OF
THE LARGE STOCKS OF TIMBER AROUND THE WORLD. WESTERN
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SAMOA PRODUCES HARDWOODS PRIMARILY FOR EXPORT.

8. DESPITE THE GOVERNMENT'S TENDENCY TOWARD
OPTIMISM IN THE BUDGET WESTERN SAMOA'S ECONOMIC WEAKNESS
REMAINS. STILL, IT IS ENCOURAGING TO SEE THAT THE GWS
IS ATTEMPTING TO OVERCOME SOME OF ITS DIFFICULTIES AND
IS DEMONSTRATING A LEVEL OF FORWARD PLANNING IN ITS
ATTEMPTS TO DEAL WITH ITS ECONOMIC FACTS OF LIFE AND TO
MEET THE BASIC HUMAN DEVELOPMENT NEEDS OF THE POPULATION.
SELDEN

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Message Attributes

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